

**Missouri Department of Natural Resources Air Pollution Control Program  
Volkswagen Trust Diesel Emission Reduction Act Program Requirements**

**I. Program Requirements**

This document sets forth the requirements applicable to the Diesel Emission Reduction Act (DERA) grant State Clean Diesel FY2023 program (Program) and the Volkswagen (VW) Trust Awards (Award) made by the Missouri Department of Natural Resources (Department), Air Pollution Control Program (APCP). The Award is inclusive of both DERA funding and VW Trust funds.

By submitting a complete application for an Award, the applicant agrees to comply with these Program Requirements in addition to any other governmental, regulatory or statutory provision that may be applicable, including those requirements found in the Environmental Protection Agency's (EPA) [2022 DERA State Grants Program Guide](#). For the purposes of Awards under this Program, the project period begins Oct. 1, 2022 and ends Sept. 30, 2023.

**A. Use and Award of VW Trust Monies and DERA Grant Funds**

1. Eligibility Requirements – All Awards shall be used for eligible diesel vehicle, engines or equipment replacements. Funding provided through this grant must be used to purchase a new vehicle, engine or piece of equipment that will replace an existing vehicle, engine or piece of equipment that shall be permanently disabled or scrapped. The replacement vehicle, engine or equipment will continue to perform similar function and operation as the vehicle, engine or equipment that is being replaced. The replacement vehicle, engine or equipment will be of similar type and gross vehicle weight rating (GVWR) or horsepower (HP) as the vehicle, engine or equipment being replaced. Projects may include, but are not limited to, diesel emission reduction solutions from the following heavy-duty diesel emission source types.

<b>Project</b>	<b>Eligibility Requirements</b>
School Buses	Includes diesel powered school buses of Type A, B, C and D. To be eligible as a school bus, a vehicle should meet the definition of a school bus as defined by the National Highway Transportation Safety Administration. This definitions includes but is not limited to: 1) A bus that is used for purposes that include carrying students to and from school or related events on a regular bases; 2) Be identified with the words "School Bus"; and 3) Be painted National School Bus Glossy Yellow.
Medium- and heavy-duty trucks	Includes diesel powered medium- and heavy-duty highway vehicles with GVWR defined as follows: Class 5 (16,001 – 19,500 lbs GVWR) Class 6 (19,501 – 26,000 lbs GVWR) Class 7 (26,001 – 33,000 lbs GVWR) Class 8 (33,001 lbs GVWR and over)
Nonroad engines, equipment or vehicles	Includes diesel powered engines, equipment and vehicles used in construction, handling of cargo (including at ports and airports), agriculture, mining or energy production (including stationary generators and pumps).
Transit	Includes Class 5+ diesel powered medium- and heavy-duty transit buses.

Buses	
Marine Engines	Includes diesel powered Category 1, 2 and 3 marine engines and vessels.
Locomotives	Includes diesel powered line-haul, passenger, and switch engines and locomotives.

Eligibility Requirements for Existing Vehicles, Engines and Equipment being replaced:

- Vehicle, engine or equipment must be operational and in current, regular service upon the start date of the project period. For the purposes of Awards under this Program, the project period begins Oct. 1, 2022.
  - Vehicle, engine or equipment owner must have owned and operated the vehicle, engine or equipment proposed for replacement for the two years immediately prior to the beginning of the project period.
  - The existing vehicle, engine or equipment must have at least three years of remaining life from the beginning of the project period. Remaining life is the owner's estimate of the number of years until the unit would have been retired from service if the unit were not being replaced with DERA funding. The remaining life estimate is the number of years of operation even if the unit were to be rebuilt or sold to another owner and continue operation.
  - Highway engines and vehicles must have accumulated 7,000 miles per year during each of the two calendar years immediately prior to the beginning of the project period (January 2020-December 2021). For school buses, you may use calendar year 2019 for the mileage requirement. The mileage of multiple units may be combined to reach the mileage threshold where multiple units will be scrapped and replaced with a single unit.
  - Nonroad, Locomotive and Marine Usage: The engine operating hours of multiple units may be combined to reach the thresholds below where those units will be scrapped and replaced with a single unit.
    - Agricultural Pumps: To be eligible for funding, agricultural pumps must operate at least 250 hours/year during the two years prior to upgrade.
    - All Other Nonroad Engines: To be eligible for funding, nonroad engines must operate at least 500 hours/year during the two years prior to upgrade.
    - Locomotive and Marine Usage: To be eligible for funding, the existing locomotive and marine engines must operate at least 1,000 hours/year during the two years prior to upgrade.
  - Nonroad equipment horsepower increases of more than 40% will require specific approval by the department prior to purchase and the applicant may be required to pay the additional costs associated with the higher horsepower equipment.
  - The replacement vehicle, engine or equipment will continue to perform similar function and operation as the vehicle, engine or equipment that is being replaced. The replacement vehicle, engine or equipment will be of similar type and GVWR or horsepower (HP) as the vehicle, engine or equipment being replaced.
- a. **Engine Replacement:** Eligible engine replacement projects include, but are not limited to, diesel engine replacement with an engine certified for use with diesel or an alternative fuel (e.g., gasoline, CNG, propane), diesel engine replacement with a zero tailpipe emissions power source (grid, battery or fuel cell), or diesel engine replacement with an electric generator(s) (genset). Zero tailpipe emissions engine replacements do not require EPA or CARB certification.

Eligible costs include the cost of modifications, attachments, accessories or auxiliary apparatus necessary to make the equipment functional, including related labor expenses. Charges for equipment and parts on engine replacement projects are only eligible for funding if they are included in the certified engine configuration or are required to ensure the effective installation and functioning of the new technology but are not part of typical vehicle or equipment maintenance or repair. Ineligible engine replacement costs include, but are not limited to: tires, cabs, axles, paint, brakes and mufflers.

For engine replacement with battery, fuel cell and grid electric, eligible engine replacement costs include, but are not limited to: electric motors, electric inverters, battery assembly, direct drive transmission/gearbox, regenerative braking system, vehicle control/central processing unit, vehicle instrument cluster, hydrogen storage tank, hydrogen management system, fuel cell stack assembly and the purchase and installation of electrical infrastructure or equipment to enable the use of power. Ineligible costs include, but are not limited to, electricity and operation and maintenance costs.

i. **Locomotive, Marine and Nonroad Diesel Vehicles and Equipment:**

- a. If the new engine uses diesel or an alternative fuel, the new engine must be an engine model year (EMY) 2019 or newer engine certified to EPA emission standards. Engines with an EMY prior to 2019 may be used if the engine is certified to the same emission standards applicable to EMY 2019.
- b. If the new engine is a zero tailpipe emissions power source, EPA or CARB certification is not required.

ii. **Highway Diesel Vehicles:**

- a. If the new engine uses diesel or an alternative fuel, the new engine must be an EMY 2019 or newer engine certified to EPA emission standards.
- b. If the new engine is a Low-NO<sub>x</sub> diesel engine, the new engine must be an EMY 2019 or newer engine certified to CARB's Optional Low-NO<sub>x</sub> Standards.
- c. If the new engine is a zero tailpipe emissions power source, EPA or CARB certification is not required.

See subsection I.B., Restrictions on the Use of Awards, for additional funding eligibility information.

- b. **Vehicle and Equipment Replacements:** Eligible projects include, but are not limited to, the replacement of nonroad and highway diesel vehicles and equipment, locomotives and marine vessels with newer, cleaner diesel, zero tailpipe emission (grid, battery or fuel cell), hybrid or alternative fuel (e.g., gasoline, CNG, propane) vehicles/equipment that use engines certified by EPA and, if applicable, CARB to meet a more stringent set of engine emission standards. Zero tailpipe emissions vehicles and equipment do not require EPA or CARB certification
- c. The eligible cost of a vehicle/equipment replacement includes the cost of modifications, attachments, accessories or auxiliary apparatus necessary to make the equipment functional. The cost of additional "optional" components or "add-ons" that significantly increase the cost of the vehicle may not be eligible for funding under the grant. For grid electric powered equipment replacements, eligible replacement costs include, but are not limited to, the purchase and installation of electrical infrastructure or equipment to enable the use of power, excluding electricity and operation and maintenance costs.

i. **Locomotives, Marine Vessels and Nonroad Diesel Vehicles and Equipment:**

- a. If the new vehicle/equipment uses diesel or an alternative fuel, the new vehicle/equipment must be powered by an EMY 2019 or newer engine certified to EPA emission standards. Engines with an EMY prior to 2019 may be used if the engine is certified to the same emission standards applicable to EMY 2019.
- b. If the new vehicle/equipment is powered with a zero tailpipe emissions power source, EPA or CARB certification is not required.
- ii. **Highway Diesel Vehicles and Buses (other than Drayage):**
  - a. The new highway vehicle must not be in a larger weight class than the existing vehicle (Class 5, 6, 7, or 8). Exceptions may be granted for vocational purposes and will require specific department approval prior to purchase.
  - b. If the new highway vehicle uses diesel or an alternative fuel, the new vehicle must be powered by an EMY 2019 or newer engine certified to EPA emission standards.
  - c. If the new highway vehicle uses a Low-NO<sub>x</sub> diesel engine, the new vehicle must be powered by an EMY 2019 or newer engine certified to meet CARB's Optional Low-NO<sub>x</sub> Standards.
  - d. If the new highway vehicle is powered with a zero tailpipe emissions power source, EPA or CARB certification is not required.
- iii. **Drayage Vehicles:** A "Drayage Truck" means any Class 8 highway vehicle operating on or transgressing through port or intermodal rail yard property for the purpose of loading, unloading or transporting cargo, such as containerized, bulk or break-bulk goods. Existing drayage trucks must have a history of operating on a frequent basis over the prior year as a drayage truck. The new truck must be operated in a manner consistent with the definition and powered by an EMY 2015 or newer certified engine.

See subsection I.B., Restrictions on the Use of Funds, for additional funding eligibility information.

2. Award Limits – Projects involving engine upgrades, certain idle reduction technologies, shore connection systems, electrified parking space technologies, certified engine replacements or certified vehicle/equipment replacements are subject to the DERA funding limits shown in Table 1. Applicants may request funds up to the DERA funding limits for one project.

**Table 1. DERA Funding Limits**

<b>Eligible Diesel Emission Reduction Solutions</b>	<b>Maximum Rebate</b>
<b>Vehicle/Equipment Replacement</b>	
Vehicle/Equipment Replacement – Diesel or Alternative Fuel (locomotive, marine, nonroad and highway diesels)	25%*
Vehicle/Equipment Replacement – Low NO <sub>x</sub> (highway only)	35%
Vehicle/Equipment Replacement – Zero Emission (locomotive, marine, nonroad and highway diesels)	45%
Vehicle Replacement – Drayage	50%
<b>Engine Replacement</b>	
Engine Replacement – Diesel or Alternative Fuel (locomotive, marine, nonroad and highway diesels)	40%

Engine Replacement – Low NOx (highway only)	50%
Engine Replacement – Zero Emission (locomotive, marine, nonroad and highway diesels)	60%

\*Maximum funding for diesel or gasoline fueled school bus replacement projects is 25% up to \$22,500, whereas there is no limit for new alternative fueled or electric school bus replacement projects, however, there is a \$100,000 funding cap for each applicant.

### 3. Documentation Requirements

#### a. Notification of Award.

- i. Within 10 days of notification of the award, the applicant must provide photos of the vehicle, engine or equipment being replaced including the following;
  - Profile of the vehicle or equipment with fleet unit number in view, if applicable
  - Profile of the engine or equipment (preferably with fleet unit number in view, if applicable)
  - Photos of the vehicle or equipment identification information with the following in view, if applicable:
    - VIN
    - Vehicle make
    - Vehicle model
    - Vehicle model year
    - Gross vehicle weight rating
  - Photos of the engine information with the following in view:
    - Engine make
    - Engine model
    - Engine model year
    - EPA engine family name
    - Horsepower rating or Tier rating
    - Engine serial number
- ii. Within 45 days of notification of the award and after approval of photos, the applicant must provide the following documentation:
  - Purchase order
  - Documentation demonstrating the new vehicle, engine or equipment is eligible
  - Copy of title of old vehicle (for vehicle replacements)

#### b. Delivery and Acceptance of New Vehicle, Engine or Equipment. Within 30 days of delivery and acceptance of the new vehicle, engine or equipment the applicant must provide the following documentation:

- i. Photos of the new vehicle engine or equipment purchased with award monies, including the following:
  - Profile of the vehicle or equipment with fleet unit number in view
  - Profile of the engine or equipment (preferably with fleet unit number in view, if applicable)
  - Photos of the vehicle or equipment identification information with the following in view, if applicable:
    - VIN
    - Vehicle make
    - Vehicle model
    - Vehicle model year
    - Gross vehicle weight rating
  - Photos of the engine information with the following in view:

- Engine make
  - Engine model
  - Engine model year
  - EPA engine family name
  - Horsepower rating or Tier rating
  - Engine serial number
- ii. Invoice(s) showing proof of payment(s) with a copy of the check or wire transfer used for payment.
- c. **Disabling.** Within 14 days of disabling the vehicle or engine, the applicant must provide the following documentation:
- i. Photos documenting the disabling of the vehicle or engine being replaced
  - ii. If disabling occurs at a scrap or salvage yard, a signed certificate of destruction
  - iii. Demonstrate compliance with disabling requirements in paragraph I.A.5. of this document.

#### 4. Disabling Requirements

This program requires applicants to permanently disable the engine or chassis of the vehicle, engine or equipment being replaced within 60 days of receiving the new vehicle, engine or equipment using the following methods:

- For repower projects, applicants must permanently disable the old engine they are replacing through the program. Permanently disabling the engine while retaining possession of the engine is acceptable. Disabling the engine requires creating a 3-inch diameter hole in the engine block (the part of the engine containing the cylinders). Alternatively, crushing or breaking the engine at a scrap/salvage/metal recycling facility to the satisfaction of the department is an acceptable method. Other scrapping methods may be allowable, but will require prior approval from the department.
- For replacement projects, applicants must permanently disable the engine and the chassis of the vehicle they are replacing through the program.
  - Disabling the engine requires creating a 3-inch diameter hole in the engine block (the part of the engine containing the cylinders). Alternatively, crushing or breaking the engine at a scrap/salvage/metal recycling facility to the satisfaction of the department is an acceptable method. Other scrapping methods may be allowable, but will require prior approval from the department.
  - Disabling the chassis requires cutting both rails of the chassis in half. Alternatively, the chassis/body of the vehicle/equipment may be torn apart, bent, or crushed at a scrap/salvage/metal recycling facility to the satisfaction of the department. Other scrapping methods may be allowable, but will require prior approval from the department.
  - Equipment and vehicle components that are not part of the engine or chassis may be salvaged from the unit being replaced (e.g. plow blades, shovels, seats, tires, etc.).
- If a 2010 EMY or newer vehicle is replaced, the 2010 EMY or newer vehicle may be retained or sold if the 2010 EMY or newer vehicle will replace a pre-2009 EMY vehicle, and the pre-2009 EMY vehicle will be scrapped. It is preferred the scrapped unit currently operates within the same project location(s) as the 2010 EMY or newer vehicle currently operates, however alternative scenarios will be considered. The term “project location” as used in this program refers to the primary area where the affected vehicles/engines operate, or the primary area where the emissions benefits of the project

will be realized. Under this scenario, a detailed scrappage plan must be submitted and will require prior department approval.

- If a Tier 2 or Tier 3 locomotive, marine or nonroad vehicle, equipment or engine is replaced, the units may be retained or sold if they will replace a similar, lower Tiered unit, and the lower Tiered unit will be scrapped. It is preferred the scrapped unit currently operates within the same project location(s) as the original Tier 2 or 3 unit currently operates, however alternative scenarios will be considered. The term “project location” as used in this program guide refers to the primary area where the affected vehicles/engines operate, or the primary area where the emissions benefits of the project will be realized. Under this scenario, a detailed scrappage plan must be submitted and will require prior department approval.

5. Site Visit.

The applicant must schedule the date to disable the old vehicle, engine or equipment and notify the department at least two weeks prior to such date to give department representatives the opportunity to observe the disabling process. If department representatives elect not to be present on the date scheduled, the disabling may proceed as planned.

B. Restrictions on the Use of Awards

1. The applicant will repay any monies awarded and disbursed to an applicant that are not expended for the purpose for which the monies were awarded.
2. The award is not and shall not be transferrable to any person or entity.
3. Applicants may not use award monies from this program to cover any portion of the following costs:
  - a. Required cost share for projects partially funded by a state or federal DERA grant, a CMAQ grant, another state’s share of the trust created under the federal agreement (i.e. Environmental Mitigation Trust Agreement for State Beneficiaries) or any other state or federal funding assistance program, unless the grant or program allows participants to use these funds to cover a portion of the participant’s cost share obligations.
  - b. Expenses incurred prior to the project period set forth in any assistance agreement funded under the program.
  - c. The purchase of vehicles, engines or equipment to expand a fleet.
  - d. Fueling infrastructure, such as that used for the production or distribution of biodiesel, compressed natural gas, liquefied natural gas and or other fuels.
  - e. The cost of towing or decommissioning the replaced vehicle or equipment.
  - f. Taxes, insurance or licensing costs.
  - g. Administrative costs.
  - h. The cost of operating or maintaining the new replacement vehicle.
  - i. Any luxury options for new vehicles and equipment, including but not limited to, chrome plating, custom tire rims and other luxury custom options.
  - j. The incremental cost of alternative fuels or infrastructure for the fueling, dispensing or blending of liquid or gaseous alternative fuels.
  - k. Emissions reductions mandated under federal, state or local law. This refers to specific compliance dates within the mandate, not when the mandate is passed. Voluntary or elective emissions reduction measures shall not be considered “mandated,” regardless of whether the reductions are included in any other plan.
    - Projects involving locomotives and marine engines are not eligible for funding if the emissions reductions are required by EPA’s locomotive and marine rule, “Control of

Emissions of Air Pollution from Locomotives and Marine Compression-Ignition Engines Less than 30 liters per Cylinder.” Also, projects involving stationary engines will not be considered for funding if the emissions reductions proposed for funding are required by EPA’s RICE rule, “National Emission Standards for Hazardous Air Pollutants (NESHAP) for Stationary Reciprocating Internal Combustion Engines (40 CFR Part 63 Subpart ZZZZ). Applications that include locomotives or marine engines or stationary engines must provide the department a clear and concise justification for why or how the proposed emissions reduction is not subject to the restriction for mandated measures. The justification must clearly demonstrate that:

- The target engines are exempt from any federal requirements
- Emissions reductions funded under the program will be implemented prior to the effective date of any applicable federal requirements
- o Sufficient information must be provided to support the justification, including maintenance records, if applicable.
- l. To replace agricultural pumps that operate less than 250 hours per year.
- m. To replace any nonroad engine/equipment that operates less than 500 hours per year.
- n. To replace nonroad vehicles and equipment with vehicles or equipment powered by unregulated, Tier 1, Tier 2 or Tier 3 compression ignition (CI) engines. Nonroad vehicles and equipment powered by Tier 4 CI engines are eligible for Zero Emission replacement only. Vehicles/equipment powered by Tier 3 and Tier 4 interim (4i) CI engines are allowed when Tier 4 final CI engines are not yet available from the OEM for 2021 model year vehicles/equipment under the Transition Program for Equipment Manufacturers (TPEM). No funds awarded under this program shall be used to replace nonroad vehicles and equipment with vehicles or equipment powered by unregulated or Tier 1 nonroad large spark-ignition (SI) engines. No funds awarded under this program shall be used to replace nonroad engines with Tier 3 or lower CI engines. No funds awarded under this program shall be used to replace nonroad engines with Tier 1 or lower SI engines.
- o. To replace locomotive or marine engines that operate less than 1,000 hours per year. To replace Tier 3 and Tier 4 marine engines and vessels with other than zero tailpipe emission technology or to replace marine engines with a Tier 2 or lower CI marine engine.
- p. To replace any locomotive or locomotive engine with a Tier 3 or lower locomotive or engine. No funds awarded under this program shall be used to replace Tier 2+ line-haul locomotives or locomotive engines. No funds awarded under this program shall be used to install automatic engine start-stop technologies on locomotives currently certified to Tier 0+ or higher.

## **II. Financial Requirements**

### **A. Method of Payment**

1. The applicant shall not purchase the replacement vehicle before the department approved start date of the project period.
2. The applicant shall submit documentation in compliance with paragraph I.A.4. prior to receiving reimbursement from the department.
3. By accepting a reimbursement from the department, the applicant certifies to the best of their knowledge and belief the information submitted is correct, and all outlays were made in accordance with this document.
4. Award Payments to the Applicants



Proof of Payment Invoices (for the project) must be submitted within 30 days of invoice date. Invoices must include the following:

- i. Applicant's name, address, the amount paid by applicant for project and total cost of the project;
  - ii. Include as attachments, copies of paid receipt(s) from the vendor(s) proving total cost of the project and copies of check(s) or wire transfer(s) used to pay for the project for which the applicant is requesting reimbursement
- a. Payment may be made upon showing of good cause or special circumstances, as determined and approved by the department.
5. For monies withheld or repaid as a result of an enforcement action in subsection III.C. of this document, the department may make these monies available to other eligible applicants.

#### B. Retention and Custodial Requirements for Records

1. The applicant shall retain financial records, supporting documents, and other records pertinent to the Award for a period of five years after the close of the project.
2. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the five-year period, the applicant shall retain records until completion of the action and resolution of all issues, which arise from it, or until the end of the regular five-year period, whichever is later.
3. The rights to access such records must not be limited to the required retention period but shall last as long as the records are retained.
4. Any representative of the Department shall have the right to visit the project site(s) at any time until the project is closed.
5. The Department and the Missouri State Auditor's Office or any of their authorized representatives shall have the right of access to any pertinent books, documents, papers or other records of the applicant, which are pertinent to the award, in order to make audits, examinations, excerpts and transcripts.
6. The applicant's records shall be maintained as public records pursuant to Chapter 610, RSMo.

#### C. Financial Management and Reporting

1. Financial Reporting. The applicant shall retain accurate, current and complete disclosure of financial results of financially assisted activities.
2. Accounting Records. The applicant shall maintain records that adequately identify the source and application of monies provided for the project.
3. Internal Control. The internal control structure provides reasonable assurance that assets are safeguarded and must assure assets are used solely for authorized purposes.
4. Source Documentation. Accounting records must be supported by such source documentation as canceled checks and paid invoices. Appropriate electronic verification of cleared checks may also be considered source documentation in lieu of actual canceled checks. The documentation must be made available by the applicant at the department's request.

### **III. Dispute Resolution and Termination**

#### **A. Dispute Resolution**

1. The applicant and the Missouri Department of Natural Resources shall attempt to resolve disagreements concerning the project performance including reporting requirements.
2. If an agreement cannot be reached within 60 days of the issuance of the notice of noncompliance, the department's Air Pollution Conservation Program (APCP) Director will provide a written decision. Such decision of the APCP Director shall be final unless a request for review is submitted to the dDepartment's Division of Environmental Quality (DEQ) Director within 15 days of the receipt of the APCP Director's decision. The DEQ Director shall provide a final decision within 30 days of the receipt of the applicant's request. Such requests shall include:
  - a. A copy of the APCP Director's written decision
  - b. A statement of the amount in dispute
  - c. A brief description of the issue(s) involved
  - d. A concise statement of the objections to the final decision
3. A decision by the DEQ Director shall constitute final department action.

#### **B. Termination**

1. Termination for Cause.
  - a. The department may terminate any award, in whole or in part, at any time before the date of completion whenever it is determined that the applicant has failed to comply with the requirements of this program.
  - b. The department shall promptly notify the applicant in writing of such a determination and the reasons for the termination, together with the effective date.
2. Termination for Convenience. The department or the applicant may terminate the award, in whole or in part, when the parties agree that the continuation of the project would not produce beneficial results commensurate with the further expenditure of monies.

#### **C. Enforcement: Remedies for Noncompliance**

If an applicant falsifies any award document, fails to maintain records or submit reports, refuses the department access to records, or materially fails to comply with any term of an award, then the department may take one or more of the following actions, as appropriate:

1. Suspend or terminate, in whole or part, the award of current or future monies
2. Temporarily withhold payments pending applicant's correction of the deficiency
3. Withhold further awards from the applicant
4. Compel the repayment of monies provided to the applicant pursuant to the award
5. Order the applicant not to transfer ownership of assets purchased with award monies without prior department approval

6. Pursue any other remedies that may be legally available, including cost recovery, breach of contract and suspension or debarment with respect to the applicant.

**IV. Applicant's Signature.** To be eligible to receive DERA monies, the applicant's signature on the application signifies the applicant's agreement to all of the requirements of the award, including the application and the documents incorporated therein.